

Arlington Finance Committee Recommendation
Minuteman Building Project
Article 6 Special Town Meeting

The Town of Arlington has been a member of Minuteman Regional Vocational Technical School District since the mid 1970's. Most people consider it a valuable part of the educational mix offered to our students. However, since the mid 1980's, it has struggled to fill its building, which was constructed for over 1,000 students. When the "choice" program became available, it was able to bring in large numbers of students, but revenue was only \$5,000 per student compared to costs over \$15,000 per student at the time. That program was discontinued by the district in the late 1990's. The other option to attract out of district students was Chapter 74, which allowed students from out of district whose home town did not offer the program they wanted to leave their own district and attend schools like Minuteman. This program provided a reasonable amount of tuition revenue to support the programs, and enrollments averaged 747 students over the last 15 years (see page 4).

In 2010, when the school was planning a major renovation or rebuild, the District School Committee decided to look at several options, including a significant downsizing of the building capacity. One of the major reasons for this involved the protests from many member towns that the members will pay for the new building while the out of district students' sending municipalities would pay none of the capital costs. Because of these local concerns, the Superintendent worked to have the Commissioner of the Department of Elementary and Secondary Education adopt a policy whereby non member towns would pay their share of capital construction costs. To be safe, the District School Committee decided to downsize the new building to a capacity of 628 students. It could not be downsized much further, because the Massachusetts School Building Authority (MSBA) would not fund a vocational school building for less than 600 students.

Unfortunately, the Commissioner of the Department of Elementary and Secondary Education also issued another regulation during the last year, that 9th graders could not attend an out of district school if their own school or a district to which they belonged offered an exploratory program with at least 5 vocational options. This will deal a significant blow to Minuteman's out of district student population, and the significant increase in out of district tuition (from the new capital costs) could lower those numbers even more as cities and towns try to dissuade their students from going to Minuteman. Thus, to a large degree Minuteman will have to depend on students from its own district which, will soon be reduced from 16 towns to 10. Fortunately, virtually all of the leaving towns send very few students.

So how does the new Minuteman make up for these lost students. Their response, which the Minuteman Superintendent will discuss at Town Meeting, is threefold: 1. They are rolling out a new recruiting strategy to convince parents and students that their new and existing technical programs are a perfect stepping stone for students seeking to go on to study science and technology at the college level. They would also be able to go directly to a well paying job to help pay those college costs. 2. The new building is constructed for programs that the current building simply cannot provide adequately. 3. A new modern up-to-date building will attract many new students and parents turned off by the old 1970's style school, which we agree has many problems. Whether these will be sufficient to fill the building is the great unknown of this complex issue.

But the risks mentioned above are not the only ones to consider. If this project is turned down by its members, there is a significant possibility that the MSBA, which is funding approximately \$44 million of this \$144 million dollar project, will walk away and shift that funding to other facilities. If that happens, the 10 towns in the district will be saddled with the cost of renovating a largely obsolete building. How much will this cost? The Minuteman building committee estimates that it will cost approximately \$100 million to renovate the building, fix systems and roofs that need work and bring the building up to current building codes. They argue that when done, the district will still have an obsolete building for modern programs. Our representative on the committee argued that alternatives were not investigated and that the committee was pushing for a new building from the start. The rest of the committee disagrees. Is there a cheaper renovation alternative? We don't know, but a 40 year old school building takes a lot of abuse, and the roof alone needs replacement very soon. We are facing the same issues with Arlington High School.

The Finance Committee is recommending that we endorse the project as proposed by Minuteman, because the risks of not proceeding outweigh the risks of stopping the project and starting all over again. We do not know if there is a cheaper renovation alternative. Renovating a building while students attend classes is rarely a good thing to do. We do not know what the MSBA will do, but if the project is rejected the chances are that we will have to start the process all over again. Meanwhile, the Minuteman district will have to recruit students to an old building, and manage without the vast majority of its out of district students. It could put the district into a financial tail spin. In a worst case scenario, for most of the other towns in the district, the dissolution of Minuteman would not be an overwhelming issue. They could find alternatives for their one to forty students without a huge problem. Arlington with its 140 students would face a far more serious challenge.

The vote that we are recommending to you is contingent on a debt exclusion scheduled for June 14th. The operating budget cannot absorb the impact of this substantial project. On pages 5 and 6 of this handout, spreadsheets demonstrate the impact on the taxpayer. It ranges from \$75 per year for a median single family house if the school maintains 170 out of district students to \$103 if all of the students are from the district and Arlington sends 34% of the students. The numbers will be higher if we send a higher percent and lower with a lower percent. The financial impact described above would have been even greater if the regional agreement had not been amended earlier this year. One of the core changes included in the new regional agreement was a capital allocation formula that benefited Arlington.

Let me end with a story about what happened to the Arlington High School renovation in the 1970s. The original proposal involved the replacement of several older structures with new construction so the buildings could tie together well. It also involved the creation of a field house and swimming pool for the school. The State would have paid over 60%. Twice citizens took the proposal to referendum to block it. Both times the building project was defeated. The school committee went back to the drawing board and 2 years later came back with a renovation only proposal which finally passed without being blocked by referendum. State reimbursement had dropped, inflation had raised the cost, and we ended up with the current high school with all of its problems for a higher cost to the taxpayer. I can't say that will happen here, but I think it is a significant possibility.

The recommended vote of the Finance Committee is on the following page.

Allan Tosti
Chair, Arlington Finance Committee

The recommended vote (10-8) of the Finance Committee is as follows:

VOTED: That the Town hereby approves the \$144,922,478 borrowing authorized by the Minuteman Regional Vocational Technical School District (the "District") on March 15, 2016, for the purpose of paying costs of designing, constructing and originally equipping a new district school to be located at 758 Marrett Road, Lexington, Massachusetts, including the payment of all costs incidental or related thereto (the "Project"), which school facility shall have an anticipated useful life as an educational facility for the instruction of school children of at least 50 years, and for which the District may be eligible for a school construction grant from the Massachusetts School Building Authority ("MSBA"), said amount to be expended at the direction of the School Building Committee; that the Town acknowledges that the MSBA's grant program is a non-entitlement, discretionary program based on need, as determined by the MSBA, and any Project costs the District incurs in excess of any grant approved by and received from the MSBA shall be the sole responsibility of the District and its member municipalities; that any grant that District may receive from the MSBA for the Project shall not exceed the lesser of (i) forty-four and seventy-five hundredths percent (44.75%) of eligible, approved project costs, as determined by the MSBA, or (ii) the total maximum grant amount determined by the MSBA; and that the amount of borrowing authorized by the District shall be reduced by any grant amount set forth in the Project Funding Agreement that may be executed between the District and the MSBA. This approval shall be conditioned upon a successful vote of the Town to exempt its allocable share of debt service on this project from the limitation on total property taxes set forth in M.G.L. c. 59, s. 21C (also known as Proposition 2 1/2).

15 YEAR HISTORICAL ENROLLMENT - OCTOBER 1 DATA

| TOWN | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| Acton | 42 | 38 | 38 | 34 | 37 | 36 | 33 | 28 | 23 | 31 | 30 | 21 | 26 | 30 | 33 |
| Arlington | 132 | 133 | 160 | 162 | 173 | 169 | 150 | 135 | 131 | 115 | 139 | 139 | 165 | 152 | 120 |
| Belmont | 28 | 26 | 30 | 31 | 34 | 24 | 31 | 33 | 38 | 41 | 41 | 34 | 31 | 31 | 26 |
| Bolton | 11 | 14 | 17 | 11 | 11 | 7 | 11 | 11 | 7 | 10 | 10 | 10 | 11 | 10 | 9 |
| Boxborough | 10 | 8 | 14 | 14 | 14 | 12 | 12 | 13 | 14 | 16 | 8 | 6 | 5 | 5 | 7 |
| Carlisle | 5 | 7 | 10 | 11 | 9 | 8 | 7 | 8 | 8 | 5 | 7 | 9 | 12 | 8 | 5 |
| Concord | 15 | 11 | 21 | 22 | 25 | 27 | 20 | 24 | 26 | 22 | 18 | 10 | 7 | 16 | 17 |
| Dover | 3 | 2 | 1 | 4 | 4 | 3 | 1 | 0 | 1 | 1 | 2 | 2 | 1 | 3 | 2 |
| Lancaster | 25 | 30 | 35 | 41 | 32 | 28 | 29 | 26 | 27 | 23 | 19 | 22 | 27 | 32 | 39 |
| Lexington | 46 | 41 | 42 | 45 | 52 | 54 | 67 | 81 | 79 | 89 | 68 | 65 | 52 | 42 | 51.5 |
| Lincoln | 5 | 7 | 8 | 11 | 8 | 5 | 4 | 2 | 3 | 4 | 4 | 4 | 6 | 6 | 11 |
| Needham | 25 | 21 | 28 | 44 | 38 | 29 | 18 | 19 | 17 | 26 | 34 | 27 | 35 | 24 | 25 |
| Stow | 45 | 48 | 58 | 58 | 49 | 44 | 40 | 25 | 25 | 29 | 23 | 26 | 22 | 19 | 13 |
| Sudbury | 17 | 19 | 20 | 18 | 18 | 12 | 11 | 13 | 10 | 18 | 11 | 18 | 22 | 25 | 25 |
| Wayland | 5 | 9 | 7 | 10 | 8 | 18 | 18 | 18 | 19 | 12 | 13 | 12 | 11 | 4 | 2 |
| Weston | 4 | 2 | 3 | 6 | 8 | 3 | 3 | 2 | 2 | 3 | 3 | 4 | 4 | 3 | 5 |
| Total Member Towns | 418 | 416 | 492 | 522 | 520 | 479 | 455 | 438 | 430 | 445 | 430 | 409 | 437 | 410 | 390.5 |
| Non-Member Towns | 379 | 343 | 303 | 270 | 254 | 245 | 245 | 260 | 250 | 309 | 355 | 340 | 356 | 332 | 277 |
| TOTAL | 797 | 759 | 795 | 792 | 774 | 724 | 700 | 698 | 680 | 754 | 785 | 749 | 793 | 742 | 667.5 |

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**Minuteman Regional High School
Projected FY20 Revenue Plan and Assessments
New School Building Project**

| Revenue Plan | FY20 PROJECTED | REVISED AGREEMENT | Min. Rec. Contribution | Transportation Assessment | Other Operating Assessment | Debt/Capital | Total Assessments |
|--|-------------------|--|------------------------|---------------------------|----------------------------|-------------------------------------|------------------------------------|
| Non-Assessment Revenue | | Acton | 583,156 | 92,042 | 296,423 | 368,113 | 1,339,734 |
| Chapter 70 State Aid | 2,518,090 | Arlington | 2,073,156 | 327,216 | 1,053,802 | 1,415,962 | 4,870,136 |
| Transportation Reimbursement | 635,907 | Belmont | 502,945 | 79,382 | 255,651 | 372,613 | 1,210,591 |
| Non-Member Tuition | 3,384,228 | Bolton | 156,643 | 24,724 | 79,623 | 130,005 | 390,995 |
| Non-Member Capital Fee | 1,440,365 | Boxborough | - | - | - | 4,956 | 4,956 |
| E & D Contribution | 100,000 | Carlisle | - | - | - | 4,956 | 4,956 |
| Total - Non-Assessment Revenue | 8,078,590 | Concord | 338,746 | 53,466 | 172,187 | 311,821 | 876,220 |
| | | Dover | 19,820 | 3,128 | 10,075 | 64,579 | 97,602 |
| Assessment Revenue | | Lancaster | 637,907 | 100,684 | 324,253 | 387,349 | 1,450,192 |
| Minimum Required Contribution | 6,043,416 | Lexington | 1,051,635 | 165,984 | 534,554 | 747,048 | 2,499,221 |
| Transportation | 953,860 | Lincoln | - | - | - | 8,921 | 8,921 |
| Debt | 4,380,968 | Needham | 434,068 | 68,511 | 220,640 | 344,571 | 1,067,790 |
| Assessments over Minimum Contribution | 3,071,917 | Stow | 245,340 | 38,723 | 124,708 | 186,372 | 595,144 |
| Total = Assessment Revenue | 14,450,161 | Sudbury | - | - | - | 21,807 | 21,807 |
| | | Wayland | - | - | - | 4,956 | 4,956 |
| | | Weston | - | - | - | 6,939 | 6,939 |
| Total Budget | 22,528,751 | Total | 6,043,416 | 953,860 | 3,071,917 | 4,380,968 | 14,450,161 |
| Assumptions: | | | | | | | |
| Debt Service effective FY20 | | Tax Rate Impact - New School Building Project | | | | | |
| Projected Enrollment | | 2014 Census | | | | | |
| (8% annual increase District enrollment - 10/1/17 & 10/1/18) | | Member Town | Median Home Value | Projected Debt Assessment | Residential Tax Impact | Estimated Tax Impact Per Med. House | Estimated Tax Impact Per \$100,000 |
| In-District | 458 | Acton | 502,000 | 324,179 | \$0.0804 | \$40.34 | \$8.04 |
| Out-of-District | 170 | Arlington | 507,200 | 1,262,192 | \$0.1483 | \$75.19 | \$14.83 |
| | 628 | Belmont | 656,000 | 334,459 | \$0.0507 | \$33.25 | \$5.07 |
| Inflation Rate - 2% Annually (FY18 to FY20) | | Bolton | 470,800 | 118,443 | \$0.1267 | \$59.66 | \$12.67 |
| For Foundation Budget, Transportation & Operating Assessment | | Concord | 688,300 | 285,229 | \$0.0488 | \$33.61 | \$4.88 |
| Transportation Reimbursement = 60% | | Dover | 945,100 | 63,423 | \$0.0268 | \$25.33 | \$2.68 |
| This model uses the formulas as required in the | | Lancaster | 288,400 | 341,102 | \$0.4055 | \$116.93 | \$40.55 |
| Revised Agreement and valid within the assumptions as disclosed. | | Lexington | 710,600 | 665,537 | \$0.0518 | \$36.84 | \$5.18 |
| This is prepared in response to requested information by member towns and the assumptions used must be considered when analyzing projected future costs to each member town. | | Needham | 668,900 | 312,198 | \$0.0262 | \$17.50 | \$2.62 |
| Five year model used to align with expected enrollment and debt planning. Subject to change as required. | | Stow | 444,700 | 167,874 | \$0.1400 | \$62.24 | \$14.00 |
| | | Total - Debt | | 3,874,635 | | | |

**Minuteman Regional High School
Projected FY20 Revenue Plan and Assessments
New School Building Project**

Assumes Total Enrollment of 628 In-District Students - 34.3 Percent of Students from Arlington

| <u>Revenue Plan</u> | <u>FY20 PROJECTED</u> | <u>REVISED AGREEMENT</u> | <u>Min. Reg. Contribution</u> | <u>Transportation</u> | <u>Other Operating Assessment</u> | <u>Debt/Capital</u> | <u>Total Assessments</u> |
|---------------------------------------|-----------------------|--------------------------|-------------------------------|-----------------------|-----------------------------------|---------------------|--------------------------|
| <u>Non-Assessment Revenue</u> | | Acton | 799,986 | 92,044 | 315,880 | 489,765 | 1,697,675 |
| Chapter 70 State Aid | 3,454,311 | Arlington | 2,843,473 | 327,161 | 1,122,766 | 1,891,302 | 6,184,702 |
| Transportation Reimbursement | 635,907 | Belmont | 689,729 | 79,358 | 272,344 | 497,525 | 1,538,956 |
| Non-Member Tuition | (509) | Bolton | 214,711 | 24,704 | 84,780 | 174,484 | 498,680 |
| Non-Member Capital Fee | (217) | Boxborough | - | - | - | 3,717 | 3,717 |
| E & D Contribution | 100,000 | Carlisle | - | - | - | 3,717 | 3,717 |
| Total - Non-Assessment Revenue | 4,189,492 | Concord | 465,069 | 53,509 | 183,636 | 417,736 | 1,119,951 |
| | | Dover | 27,357 | 3,148 | 10,802 | 88,752 | 130,059 |
| <u>Assessment Revenue</u> | | Lancaster | 875,425 | 100,724 | 345,668 | 517,386 | 1,839,202 |
| Minimum Required Contribution | 8,290,346 | Lexington | 1,442,461 | 165,965 | 569,566 | 994,105 | 3,172,098 |
| Transportation | 953,860 | Lincoln | - | - | - | 6,691 | 6,691 |
| Debt | 5,821,550 | Needham | 595,223 | 68,484 | 235,028 | 461,642 | 1,360,377 |
| Assessments over Minimum Contribution | 3,273,503 | Stow | 336,912 | 38,764 | 133,032 | 249,448 | 758,156 |
| Total = Assessment Revenue | 18,339,259 | Sudbury | - | - | - | 16,357 | 16,357 |
| | | Wayland | - | - | - | 3,717 | 3,717 |
| | | Weston | - | - | - | 5,204 | 5,204 |
| Total Budget | 22,528,751 | Total | 8,290,346 | 953,860 | 3,273,503 | 5,821,550 | 18,339,259 |

Assumptions:

| Tax Rate Impact - New School Building Project | | | | | | | |
|--|-----|---------------------|---------|------------------|-------------|----------------|---------------|
| Debt Service effective FY20 | | 2014 Census | | | | | |
| Projected Enrollment | | Member | Median | Projected | Residential | Estimated | Estimated |
| (8% annual increase District enrollment - 10/1/17 & 10/1/18) | | Town | Home | Debt | Tax | Tax Impact | Tax Impact |
| In-District | 628 | | Value | Assessment | Impact | Per Med. House | Per \$100,000 |
| Out-of-District | 0 | Acton | 502,000 | 444,708 | \$0.1102 | \$55.34 | \$11.02 |
| | 628 | Arlington | 507,200 | 1,731,153 | \$0.2033 | \$103.13 | \$20.33 |
| | | Belmont | 656,000 | 458,678 | \$0.0695 | \$45.60 | \$6.95 |
| Inflation Rate - 2% Annually (FY18 to FY20) | | Bolton | 470,800 | 162,391 | \$0.1738 | \$81.80 | \$17.38 |
| For Foundation Budget, Transportation & Operating Assessment | | Concord | 688,300 | 391,542 | \$0.0670 | \$46.13 | \$6.70 |
| Transportation Reimbursement = 60% | | Dover | 945,100 | 87,211 | \$0.0368 | \$34.83 | \$3.68 |
| This model uses the formulas as required in the | | Lancaster | 288,400 | 468,080 | \$0.5564 | \$160.46 | \$55.64 |
| Revised Agreement and valid within the assumptions as disclosed. | | Lexington | 710,600 | 912,863 | \$0.0711 | \$50.52 | \$7.11 |
| This is prepared in response to requested information by member | | Needham | 668,900 | 428,118 | \$0.0359 | \$24.00 | \$3.59 |
| towns and the assumptions used must be considered when | | Stow | 444,700 | 230,472 | \$0.1921 | \$85.44 | \$19.21 |
| analyzing projected future costs to each member town. | | Total - Debt | | 5,315,217 | | | |
| Five year model used to align with expected enrollment | | | | | | | |
| and debt planning. Subject to change as required. | | | | | | | |